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REPORT

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WEEKLY ROUNDUP OF WORLD PRODUCTION AND TRADE

WR-51-81

WASHINGTON, Dec. 23--The Foreign Agricultural Service of the U.S. Department of Agriculture today reported the following recent developments in world agriculture and trade:

GRAIN AND FEED

CANADA's Wheat Board ceased pricing feed grains on the domestic market at corn-competitive prices, effective December 21. The corn-competitive pricing formula was based on the price of U.S. corn imported into eastern Canada and took into account the relative feeding values of wheat, barley, and oats, compared with those of corn.

Since mid-September, corn-competitive prices derived from this formula have been below the non-Board cash prices for these grains, as well as below the Board's initial payment to producers. This price relationship resulted in the Board selling significant quantities of feed grains below what it had paid producers initially, creating a ceiling on domestic prices and producing criticism from Western producers. Consequently, the Board virtually stopped offering feed grains to the domestic market in mid-November and now has abandoned the corn-competitive pricing system, at least for the time being. These actions are expected to allow the Board to take greater advantage of the season's abundant supplies by making more grain available to the export market, where feed barley prices are well above the corn-competitive prices.

Non-Board stocks of barley at Thunder Bay, and supplies of corn in Ontario, are felt to be sufficient to meet domestic demand. The Board may resume offering feed grains to the domestic market; however, no new pricing mechanism has yet been determined.

CANADA has formally announced that it is giving China Canadian \$2 million (approximately U.S. \$1.75 million) in wheat for emergency relief. The aid is in response to an appeal made by China to the United Nations World Food Program for help in two provinces hit by natural disasters. The food aid is the first bilateral aid provided by Canada since China's eligibility for Canadian help of this sort was announced in August.

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In JAPAN, there will be no change in the wheat resale price for the April 1982-March 1983 marketing year--the first time such a thing has happened in recent years. Factors behind this decision by the Ministry of Agriculture, Food, and Forestry included strong support from Japanese millers and end users, larger-than-expected profits by the Food Agency in 1980/81 on sales of imported wheat, and strong U.S. representations. The wheat resale price for Hard Red Winter wheat (Ord) will remain at approximately \$340 a ton (\$9.25 per bushel).

Since a 3.9-percent increase in the rice resale price (to about \$1,302 a ton) was announced by the Ministry, wheat will become slightly more competitive with rice at the consumer level.

AUSTRALIA's Wheat Board mid-December estimates of wheat receipts by various state grain handling authorities suggest that country's 1981/82 wheat crop will range between 15.5 and 16.0 million tons. Receipts were estimated at 14.5 to 15.0 million tons and about 1 million tons of wheat is normally retained on farms. USDA's current estimate of the Australian crop is 15.5 million tons.

HORTICULTURAL AND TROPICAL PRODUCTS

COSTA RICA is expected to import some refined sugar to meet spot shortages in the marketplace during 1981/82, and the United States will probably supply at least a portion of the Costa Rican needs. The United States is the principal destination for most of Costa Rica's raw sugar exports, which are expected to total almost 70,000 tons in 1981/82.

The refined sugar imports are necessary to satisfy rising demand and to offset reported movements of raw sugar to Panama. Panama exports about 140,000 metric tons of raw sugar in a year, and shows no official imports.

KOREA recently authorized imports of almonds based on the value of its chestnut exports. Under this import/export linkage system, almond imports are permitted up to the equivalent of 5 percent of the value of Korea's raw chestnut exports and 20 percent of the value of finished (bottled) chestnut exports. It is estimated that this system will result in authorized annual almond imports of approximately \$800,000.

JAPAN has announced an additional grape juice import quota of 3,000 metric tons (5:1 concentrate basis) for Japanese fiscal year 1981/82. This allocation boosts the total grape juice quota for the year to 3,600 tons, double the quantity permitted in fiscal 1980/81. The increase reflects a rapidly growing demand for grape juice and stable Japanese production. Grape juice import quotas are announced irregularly on an "as needed" basis and are valid for up to 10 months after the date of announcement.

JUTE AND KENAF crops in the major producing countries of Bangladesh, India, and Thailand during the 1981/82 season (July/June) are currently expected to total 2,583,000 metric tons. That level is 165,000 tons below last season as acreage reductions in Bangladesh and India more than offset a modest increase in sown acreage in Thailand. By country, production estimates are as follows: India, 1,423,000 tons; Bangladesh, 910,000 tons; and Thailand, 250,000 tons. Revisions for earlier years put output at 2,748,000 tons in 1980/81 and 2,776,000 tons in 1979/80.

TOBACCO

In JAPAN, a government advisory panel has recommended that private firms be allowed to market imported tobacco and cigarettes in Japan. The recommendation is aimed at forcing the government-run Japan Tobacco and Salt Public Corporation (JTS) to get along without its usual lift from government coffers. Such a sweeping change, however, appears certain to run into opposition from within the government, political circles, and farmers growing leaf tobacco.

Under the current monopoly system, JTS is obligated to buy up all domestically produced tobacco at more than three times the price for foreign tobacco. JTS now imports only about 35 percent of its tobacco leaf requirements. The gap in prices between domestic and foreign products is pricing Japanese cigarettes out of world markets. The panel recommendation was also aimed at improving the competitiveness of Japanese cigarettes and tobacco in world markets.

Two plans for involving the private sector in tobacco marketing are under consideration. One would set up a company which has the exclusive right to import and sell tobacco of foreign make. The other plan would permit foreign tobacco manufacturers to establish their respective sales agents in Japan.

The majority of the panel members appear to favor the establishment of import and marketing companies, while some members support allowing foreign tobacco companies to branch out into the Japanese market. The latter idea appears to be doomed because of fears that the powerful foreign cigarette manufacturers will disturb the Japanese market by dumping. The advocates of the latter idea discount these fears, pointing to the price competitive edge held by Japanese products. At present, the most popular Japanese brand cigarettes are selling for Yen 180 in Japan, while the most popular foreign brands are selling for Yen 280.

SPAIN's tobacco monopoly recently raised retail prices for tobacco products. Monopoly-produced American-blend filter cigarettes increased 8 percent in price to 65 pesetas (U.S. 69 cents) a pack. U.S. brands, manufactured under license in Spain, rose 5.5 percent to 95 pesetas (U.S. \$1.01). Imported cigarettes increased an average of 9 percent to between 110 and 135 pesetas (U.S. \$1.17 - \$1.43).

The price increases are attributed to the strength of the U.S. dollar and the need for additional revenues. The last cigarette price increase averaged 20 percent and took place in November 1980.

During the first half of 1981, overall consumption of cigarettes reportedly decreased 17 percent. However, sales of domestic and imported American blend cigarettes rose 17 percent. Consumption of cigarettes is expected to continue downward with the proportion of American-blend cigarettes rising. Imports of U.S. leaf may rise to meet manufacturers' needs as more consumers demand blended cigarettes.

HONG KONG has launched a new anti-smoking campaign with legislation expected to be enacted during the first-half of 1982 that will include compulsory health warnings on cigarette packs, listings of tar and nicotine contents, and controls on tobacco advertising, among other things.

The intention is to introduce compulsory requirements for health warnings to be carried on cigarette packets and in certain cigarette advertisements, including radio, television, movie theaters, newspapers, and periodicals. In addition, the government will carry out tests to determine the tar and nicotine content of individual brands, the results of which will be published twice a year. The proposed legislation will require cigarette advertisers to include a statement of their product's latest tar rating, based on the government's tests, in all printed advertisements .

The proposed measures could affect U.S. tobacco and cigarette exports to Hong Kong, which is the second largest market for U.S. cigarettes and takes about 9 percent of total value of U.S. cigarette exports. For example, during calendar 1980, \$90.6 million worth of U.S. cigarettes were exported to Hong Kong alone, of the total value of \$1,055.4 million. During the first 10 months of 1981 (January-October) of the total U.S. cigarette exports of \$1,032.7 million, \$93.2 million were exported to Hong Kong, up 25 percent the same 10-month period a year earlier.

DAIRY, LIVESTOCK, AND POULTRY

In FRANCE, regulations governing poultry vaccinations for Newcastle Disease were modified in late November to permit vaccination of breeding stock and layers as long as an inactive vaccine is used. If an outbreak of Newcastle disease actually occurs, then vaccination is permitted with either active or inactive vaccines. Prior to this modification, any type of vaccination against Newcastle disease was effectively banned in France.

RECENT FOREIGN AGRICULTURE CIRCULARS

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Rotterdam Prices and E.C. Import Levies:

Asking prices in U.S. dollars for imported grain and soybeans, c.i.f., Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	Dec. 23, 1981	Change from		A year ago	
		previous week			
		:			
		\$ per m. ton	\$ per bu.	€ per bu.	
Wheat					
Canadian No. 1 CWRS-13.5%.....	217.00 7/	5.91 7/	-10 7/	1/	
U.S. No. 2 DNS/NS: 14%.....	194.00	5.28	-8	224.00 7/	
U.S. No. 2 DHW/HW: 13.5%.....	199.00	5.42	-16	237.00	
U.S. No. 2 S.R.W.....	178.00	4.84	-17	225.00	
U.S. No. 3 H.A.D.....	192.00 7/	5.23 7/	-8 7/	273.00 7/	
Canadian No. 1 A: Durum.....	217.00 7/	5.91 7/	-2 7/	1/	
Feed grains:					
U.S. No. 3 Yellow Corn.....	118.75	3.02	0	177.00	
U.S. No. 2 Sorghum 2/.....	134.00	3.40	0	189.50	
Feed Barley 3/.....	1/	1/	1/	1/	
Soybeans:					
U.S. No. 2 Yellow.....	246.00	6.70	-25	329.25	
Argentine 4/.....	254.50 7/	6.93 7/	-27 7/	1/	
U.S. 44% Soybean Meal (M.T.)	229.50	--	-4.50 5/	287.00	
EC Import Levies					
Wheat 6/.....	81.85	2.23	+11	57.20	
Barley.....	75.70	1.65	-3	40.35	
Corn.....	109.40	2.75	-2	75.55	
Sorghum.....	94.55	2.40	-4	56.05	

1/ Not available.

2/ Optional delivery: U.S. or Argentine Granifero Sorghum.

3/ Optional delivery: Canadian Feed Barley.

4/ Optional delivery: Brazil yellow.

5/ Dollars per metric ton.

6/ Durum has a special levy.

7/ April/May delivery

Note: Basis Jan. delivery.

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